



**FOOD FOR THE POOR, INC.**

**FINANCIAL STATEMENTS**

Year Ended December 31, 2018

# FOOD FOR THE POOR, INC.

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors and Audit Committee  
Food for the Poor, Inc.  
Coconut Creek, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Food for the Poor, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food for the Poor, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Effect of Adopting New Accounting Standard**

As discussed in Note 1 to the financial statements, the Organization has changed the presentation of net assets in the accompanying financial statements due to the adoption of Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Mayer Hoffman McCann P.C.*

Boca Raton, Florida  
April 16, 2019

**FOOD FOR THE POOR, INC.**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2018

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	7,519,217
Contributions receivable		2,079,957
Promises to give, net		1,258,960
Other receivable		146,447
Goods pending distribution		4,787,574
Prepaid expenses		1,064,733
Other assets		297,021

TOTAL CURRENT ASSETS 17,153,909

PROPERTY, BUILDING AND EQUIPMENT, at cost, less  
accumulated depreciation

14,849,816

TOTAL ASSETS \$ 32,003,725

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Line of credit	\$	500,000
Accounts payable and accrued liabilities		5,738,116

TOTAL CURRENT LIABILITIES 6,238,116

**NET ASSETS**

Without donor restrictions		24,286,815
With donor restrictions		1,478,794

TOTAL NET ASSETS 25,765,609

TOTAL LIABILITIES AND NET ASSETS \$ 32,003,725

See Notes to Financial Statements

**FOOD FOR THE POOR, INC.**

**STATEMENT OF ACTIVITIES**

Year Ended December 31, 2018

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
<b>SUPPORT AND REVENUE</b>			
Contributions:			
Cash	\$ 137,839,110	\$ 58,544	\$ 137,897,654
Donated goods	802,004,114	-	802,004,114
Promises to give	1,180,012	1,328,220	2,508,232
Investment earnings	76,606	-	76,606
Other income	149,658	-	149,658
Net assets released from restrictions	1,340,855	(1,340,855)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>942,590,355</b>	<b>45,909</b>	<b>942,636,264</b>
<b>EXPENSES</b>			
Program services:			
Goods and aid supplied	897,871,890	-	897,871,890
Total program services	897,871,890	-	897,871,890
Supporting services:			
Fundraising	44,134,680	-	44,134,680
Management and general	11,116,713	-	11,116,713
Total supporting services	55,251,393	-	55,251,393
<b>TOTAL EXPENSES</b>	<b>953,123,283</b>	<b>-</b>	<b>953,123,283</b>
<b>CHANGE IN NET ASSETS</b>	<b>(10,532,928)</b>	<b>45,909</b>	<b>(10,487,019)</b>
NET ASSETS - Beginning	34,819,743	1,432,885	36,252,628
NET ASSETS - Ending	\$ 24,286,815	\$ 1,478,794	\$ 25,765,609

See Notes to Financial Statements

**FOOD FOR THE POOR, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2018

	<b>Program</b>	<b>Supporting Services</b>			<b>Totals</b>
	<b>Goods and Aid Supplied</b>	<b>Fundraising Expenses</b>	<b>Management and General Expenses</b>	<b>Total</b>	
Food, medical and other commodities	\$ 821,877,942	\$ -	\$ -	\$ -	\$ 821,877,942
Grants and other assistance	48,871,102	-	-	-	48,871,102
Salaries and related expenses	4,566,087	15,344,297	6,716,577	22,060,874	26,626,961
Freight	21,753,769	-	-	-	21,753,769
Printed materials and publicity	28,864	16,711,407	32,711	16,744,118	16,772,982
Postage	54,843	9,081,641	18,377	9,100,018	9,154,861
Travel	163,726	1,821,863	131,216	1,953,079	2,116,805
Other office expenses	80,343	175,591	1,181,830	1,357,421	1,437,764
Professional services	70,724	422,725	1,090,325	1,513,050	1,583,774
Depreciation	126,052	84,035	481,346	565,381	691,433
Office supplies	24,513	130,303	153,933	284,236	308,749
Data processing	19,473	123,063	524,404	647,467	666,940
Repairs and maintenance	108,924	76,467	78,281	154,748	263,672
Insurance	-	691	202,629	203,320	203,320
Courier and miscellaneous freight	40,675	87,947	7,097	95,044	135,719
Telephone	30,472	38,513	66,239	104,752	135,224
Occupancy	54,381	36,137	40,460	76,597	130,978
Interest	-	-	60,237	60,237	60,237
<b>Total expenses before uncollectible pledges</b>	<b>897,871,890</b>	<b>44,134,680</b>	<b>10,785,662</b>	<b>54,920,342</b>	<b>952,792,232</b>
<b>Uncollectible pledges</b>	<b>-</b>	<b>-</b>	<b>331,051</b>	<b>331,051</b>	<b>331,051</b>
<b>Total expenses</b>	<b>\$ 897,871,890</b>	<b>\$ 44,134,680</b>	<b>\$ 11,116,713</b>	<b>\$ 55,251,393</b>	<b>\$ 953,123,283</b>

See Notes to Financial Statements

**FOOD FOR THE POOR, INC.**

**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2018

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (10,487,019)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	691,433
(Gain) on disposal of fixed assets	(37,203)
Provision for losses on promises to give	331,051
In-kind goods pending distribution	(4,511,323)
Decrease (increase) in operating assets:	
Contributions receivable	2,099,289
Promises to give	(407,555)
Other receivable	(113,947)
Goods pending distribution	(612)
Prepaid expenses	(4,982)
Other assets	292,737
Increase (decrease) in operating liabilities:	
Accounts payable and accrued liabilities	<u>737,930</u>

NET CASH FLOWS FROM OPERATING ACTIVITIES (11,410,201)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from the sale of property and equipment	60,100
Acquisition of property and equipment	<u>(402,688)</u>

NET CASH FLOWS FROM INVESTING ACTIVITIES (342,588)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Net advances from line of credit	<u>500,000</u>
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NET CASH FLOWS FROM INVESTING ACTIVITIES 500,000

NET DECREASE IN CASH (11,252,789)

CASH, BEGINNING OF YEAR 18,772,006

CASH, END OF YEAR \$ 7,519,217

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid for interest	<u><u>\$ 60,237</u></u>
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See Notes to Financial Statements



**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 1 ) Nature of activities and summary of significant accounting policies**

**Nature of activities** - Food for the Poor, Inc. (the "Organization") is a not-for-profit corporation engaged in the collection and distribution of money, food, clothing, medicine and other goods to improve the health, economic and social conditions of indigent poor throughout the world. Activities are concentrated in the Caribbean and Latin America.

To help fulfill its mission, the Organization establishes projects throughout the year. These non-contractual programs are budgeted and funded over the course of the year. However, funding for some of these projects may extend beyond the year end. The balance to be apportioned based on project budgets as of December 31, 2018 was approximately \$8,251,000 and will be categorized as goods and aid supplied in the statement of activities.

**Basis of accounting and presentation** - The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("US GAAP") which requires that the Organization report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets therein are classified as follows:

*Net Assets Without Donor Restrictions* – Net assets available for general use and are not subject to donor restrictions. Net assets without donor restriction also include the investment in property, building, and equipment, net of accumulated depreciation, contributions receivable.

*Net Assets With Donor Restrictions* – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization did not have any net assets at December 31, 2018 where the donor-imposed restriction was perpetual in nature.

The Organization classifies program services into the following category:

*Goods and Aid Supplied Program* - The Organization distributes the majority of its contributions directly to programs that help the poor.

**Reclassification** - Beginning of the year cash and contribution receivable balances reported for cash flow statement purposes have been adjusted to correspond to the current year's format. Net assets and changes in net assets are unchanged due to this reclassification.

**Cash equivalents** - The Organization considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 1 ) Nature of activities and summary of significant accounting policies (continued)**

**Contributions receivable** - Contributions receivable represent contributions without donor restrictions that are awaiting settlement by one of the Organization's credit card merchants. Such settlements occur generally within one week.

**Goods pending distribution** - The Organization's goods that are pending distribution consist of both donated and purchased goods. Donated goods are valued at their estimated fair value at the date of donation and the purchased goods are stated at cost at the time of purchase. At December 31, 2018, the Organization had approximately \$4,800,000 of goods pending distribution.

**Property, building and equipment** - Acquisitions of property, building and equipment in excess of \$1,500 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized. Property, building and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Land is reported at cost. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized currently. Other repairs and maintenance are charged to expense as incurred.

Donations of property, building and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated assets to a specific purpose.

**Contributions** – Contributions are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions.

Contributed services are recognized as contributions at their estimated fair value, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Services provided by volunteers throughout the year are not recognized as contributions in the financial statements since these services are not susceptible to objective measurement or valuation.

The Organization classifies contributions received with donor-imposed restrictions where the restrictions are satisfied in the same reporting period as contributions without donor restrictions.

**Promises to give** - Contributions are recognized at fair value when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that included donor imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are transferred to net assets without donor restrictions.

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 1 ) Nature of activities and summary of significant accounting policies (continued)**

**Promises to give (continued)**

The Organization uses the allowance method to determine the estimated unconditional promises receivable that are doubtful of collection. The allowance is based on prior years' experience and management's analysis of specific promises made. The Organization also discounts to present value the estimated future cash flows using an appropriate market rate of interest for its promises to give greater than one year. Therefore, promises to give are recorded at their net realizable value.

**Gifts-in-kind** - Gifts-in-kind ("GIK") received through private donations are recorded and valued as revenue at their estimated fair value based upon the Organization's estimate of the wholesale values that would be received for selling the goods in their principal or most advantageous market, even though, in fulfillment of its mission, the Organization may not distribute goods in the principal or most advantageous market.

Non-pharmaceutical GIK contributions received are valued at their estimated wholesale value as provided by the donor or, in the absence of the donor's reasonable valuation, estimated by the Organization using like-kind analyses and past donation history.

Pharmaceutical GIK contributions received are valued using costing data acquired from recognized and published resources and are valued at their estimated wholesale acquisition cost ("WAC") on a drug by drug basis. If WAC is not available in any published source, the Organization will refer to the donor's value. This valuation policy most resembles one used by a wholesale distributor of goods, which is the market role the Organization has in the acquisition and shipment of pharmaceutical donations. Pharmaceutical GIK contributions acquired from non-U.S. donors for products legally permissible to be sold outside the United States are valued in U.S. dollars based upon the wholesale market price of the countries representing the principal exit markets for those products.

GIK expenses are recorded when the goods are shipped for program use, generally to third party aid organizations.

**Freight** - Shipping and handling costs are included in goods pending distribution in the accompanying statement of financial position upon receipt of goods and are expensed and included in goods and aid supplied in the accompanying statement of activities upon the shipment to recipients.

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 1 ) Nature of activities and summary of significant accounting policies (continued)**

**Functional expenses** - The cost of providing the various programs and activities and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited. Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to programs and supporting services primarily based on a percentage of estimated utilized square footage of the Organization's facility. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**Advertising** - Advertising costs are expensed as incurred and were approximately \$382,000 for the year ended December 31, 2018 and are included with printed materials and publicity in the accompanying statement of functional expenses.

**Use of estimates** - The accompanying financial statements have been prepared in conformity with US GAAP. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of support and revenue and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates. The most significant of these estimates relates to the estimation of the fair value of GIK.

Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**Income taxes** - The Organization is a not-for-profit organization and a public charity, as described in Section 501(c)(3) and 509(a) of the Internal Revenue Code, and is exempt from Federal income taxes, except that unrelated business income is taxable. The Organization had no material unrelated business income during the year ended December 31, 2018. US GAAP requires management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for the years prior to 2015.

# FOOD FOR THE POOR, INC.

## NOTES TO FINANCIAL STATEMENTS

### ( 1 ) Nature of activities and summary of significant accounting policies (continued)

**New accounting pronouncement** - The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted ASU 2016-14 on January 1, 2018 and has adjusted the presentation of these financial statements accordingly. The ASU 2016-14 has been applied retrospectively to all periods presented. Adoption did not result in any changes in net asset classifications.

### ( 2 ) Liquidity and Availability

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal including cash and cash equivalents, contributions receivable and promises to give, and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of distributing goods and funds to the poor as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization operates with a surplus budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of December 31, 2018, the following tables show the total financial assets held by the Organization and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures.

Financial assets at year end:

Cash and cash equivalents	\$ 7,519,217
Contributions receivable	2,079,957
Promises to give, net	1,258,960
Other receivables	146,447
Total financial assets at year end	<u>\$ 11,004,581</u>

Financial assets available to meet general expenditures over the next 12 months:

Cash and cash equivalents	\$ 7,519,217
Contributions receivable	2,079,957
Promises to give for general expenditure due in one year or less	1,271,007
Other receivables	146,447
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 11,016,628</u>

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 3 ) Concentrations of risk**

Financial instruments, which potentially subject the Organization to concentrations of risk, consist principally of cash and support from major contributors.

**Cash** - As of December 31, 2018, the Organization had cash balances of approximately \$5,300,000 in excess of federally insured limits. The Organization maintains its cash with high quality financial institutions which the Organization believes limits its risks.

**Support from major contributors** - The Organization received approximately 52% of total support and revenue from three donors during 2018. These contributions were in the form of donated goods.

**( 4 ) Promises to give**

At December 31, 2018, promises to give consist of the following:

Receivable in less than one year	\$	1,376,614
Receivable in one to five years		285,245
Receivable in more than five years		<u>9,148</u>
Total promises to give		1,671,007
Less: allowance for uncollectible promises to give		(400,000)
Less: discount to present value		<u>(12,047)</u>
Net promises to give	\$	<u><u>1,258,960</u></u>

Promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2.46%.

**( 5 ) Property, building and equipment and subsequent event**

At December 31, 2018, property, building and equipment consist of the following:

		<u>Estimated Useful Lives</u>
Land	\$ 6,140,388	-
Land improvements	1,030,140	20 years
Building	10,024,092	40 years
Furniture and fixtures	747,518	7 years
Equipment	2,688,567	5-10 years
Vehicles	<u>246,305</u>	5 years
	20,877,010	
Less: accumulated depreciation	<u>(6,027,194)</u>	
Total property, building and equipment, net	<u><u>\$ 14,849,816</u></u>	

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 5 ) Property, building and equipment and subsequent event (continued)**

Depreciation expense for the year ended December 31, 2018 was approximately \$691,000.

On June 22, 2018, the Organization entered into a contract for the sale of approximately seven acres of land adjacent to the Organization's facility in Coconut Creek, Florida. The original contract was for \$5.5 million and was subsequently amended on August 22, 2018 to \$5.3 million. As of the date of this report, the contract is within the due diligence/inspection period of the agreement.

**( 6 ) Gift annuities**

The Organization entered into several gift annuity agreements, which provided for unrestricted cash of approximately \$52,000 at December 31, 2018 and called for the Organization to make fixed annual payments to the donors in future years. The Organization has agreements with two top rated insurance companies whereby the insurance companies would assume the annuity payment liabilities. The liability represents the present value of the future payouts using an average discount rate of 2.20%. The Organization pays the insurance company the present value of the annuities.

The Organization remains contingently liable for the future payments on the gift annuities in the event that the insurance companies default on the payments. As of December 31, 2018, the Organization was contingently liable for reinsured gift annuities totaling approximately \$5,660,000.

**( 7 ) Line of credit**

The Organization has a revolving line of credit, as amended, which expires on August 10, 2019, and provides for the issuance of commercial letters of credit and direct advances for short-term working capital needs up to \$8 million. Interest is charged at one-month LIBOR plus 1.75% (for an effective rate of 4.27% at December 31, 2018) and is payable monthly. There were no contingent liabilities under the line of credit as of December 31, 2018. The line of credit is collateralized by substantially all assets of the Organization, except for the corporate headquarters and warehouse and contains financial and non-financial covenants. At December 31, 2018, the outstanding balance on the line of credit was \$500,000. Interest expense incurred under the line of credit during the year ended December 31, 2018 was approximately \$60,000.

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 8 ) Net assets with donor imposed restrictions**

Net assets with donor imposed restrictions are available for the following as of December 31, 2018:

Promises to give (time restrictions)	\$ 1,258,960
Goods and aid	<u>219,834</u>
Net assets with donor imposed restrictions	<u>\$ 1,478,794</u>

Net assets with donor imposed restrictions were released during the year ended December 31, 2018 for the following purposes:

Satisfactions of promises to give (time and purpose restrictions)	\$ 1,265,445
Goods and aid distributed	<u>75,410</u>
Total net assets released from donor imposed restrictions	<u>\$ 1,340,855</u>

**( 9 ) Related parties and other organizations**

**Associated charities** - The Organization is associated with four charities. These charities were established with the name "Food for the Poor – (country name)" and are based in Canada, Jamaica, Haiti and Guyana. Each of the charities operates distribution centers in their base country. The Organization has no ownership or voting interest in these charities. In 2018, the Organization made distributions of approximately \$498,956,000 to these associated charities.

**Related charities** - The Organization distributes goods through various charities in which some board members hold executive positions. In 2018, the Organization made distributions of approximately \$3,840,000 through these related charities.

**Distributions** - Goods and aid supplied in the accompanying statement of activities includes the distributions made to associated and related charities totaling approximately \$502,796,000, of which approximately \$31,246,000 was in cash and approximately \$471,550,000 was in goods.



**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 10 ) Contingencies**

Grants and contracts awarded to the Organization are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged. Expenditures are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to the reductions of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered through the year ended December 31, 2018.

Certain grants awarded by the U.S. Government are subject to appropriations and funding thereof that may result in delays or even suspension of funding as a result of U.S. Government budgetary constraints imposed by the U.S. Congress.

The Organization has received letters from various State Attorney General Offices requesting information and documents relating to the Organization's fundraising and solicitation activities for specified periods of time. Some of these letters have also called into question the Organization's valuation of certain GIK transactions and representations made by the Organization on its gift solicitations.

On March 12, 2018 the Organization received a partial Cease and Desist Order (the "Order") from the Attorney General of California that still allows the Organization to fundraise and operate in the State but required the Organization, among other things, to remove certain specific language from its solicitations and provide a copy of the Order to parties specified in the Order. The Organization denies any wrongdoing and retained legal counsel to appeal this Order. A hearing was held from November 27 through December 12, 2018 and consisted of two phases; (1) alleged improper GIK valuation; and (2) alleged solicitation misrepresentations. A third allegation involving improper joint allocations was withdrawn by the attorney general.

At the end of the first phase, the Administrative Law Judge ("ALJ") issued a proposed ruling from the bench that California had not proven its case on GIK valuation and had not proven there was any violation of US GAAP. At the end of phase two of the hearing, regarding the solicitations, the ALJ asked for briefs upon completion of witness testimony and both the State and the Organization have subsequently complied. Following the submission of the briefs, the ALJ has asked for additional oral arguments. The completion and proposed ruling of phase two is expected in mid-2019.

In October 2018, the Organization received a correspondence from the state of Utah requesting additional information to accompany their registration renewal application and the Organization promptly complied. State charity regulators in Minnesota and South Carolina have requested information from the Organization in a prior year, however, to date, no additional information has been requested by any of the aforementioned states and no action has been taken against the Organization, nor has the Organization been notified that any such action is imminent or probable.

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 10 ) Contingencies (continued)**

In April 2018, the Organization reached a settlement with Michigan which resolves the Attorney General's concerns about the Organization's solicitation materials. The settlement did not have a material impact on the Organization's financial position or results of operations.

**( 11 ) Retirement plan**

The Organization maintains a 403(b)(7) ERISA Title 1 Plan which covers all employees. Participants may elect to contribute up to 100% of their wages, as limited by current federal tax law. Additionally, the Organization matches 50% of participating employees' contributions up to the first 6% of their salary deferral. For 2018, the Organization accrued approximately \$384,000 of contributions to this plan all of which is included in accounts payable and accrued liabilities in the accompanying statement of financial position and salaries and related expenses in the accompanying statement of functional expenses. The assets of the 403(b)(7) Plan are the property of the Plan's participants and their beneficiaries; therefore, the assets of this plan are not included in the accompanying financial statements.

**( 12 ) Subsequent events**

Management has evaluated subsequent events through April 16, 2019, which is the date that the financial statements were available to be issued. Except for the matter disclosed in Note 5, the Organization is not aware of any events that have occurred subsequent to the balance sheet that would require adjustment to, or disclosure in, the accompanying financial statements.